

## Message Text

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PAGE 01 VIENNA 05029 01 OF 03 021705Z

ACTION AGRE-00

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 CIAE-00  
DODE-00 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00  
CEA-01 COME-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15 STR-07  
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 /110 W  
-----053239 021755Z /41

O 021646Z JUN 78

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 6629

INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 03 VIENNA 05029

GENEVA ALSO FOR USMTN FOR PATTERSON

PASS AGRICULTURE FOR FAS OYLOE

PASS STR FOR STANLEY

E.O. 11652: GDS

TAGS: EAGR, ETRD, AU

SUBJECT: AUSTRIAN OILSEED PROGRAM

REF: (A) STATE 138245; (B) VIENNA 4715

1. SUMMARY: ON JUNE 1 ECONCOUNS AND AGATTACHE MET (AT GOA INVITATION) WITH 15-MAN AUSTRIAN DELEGATION TO DISCUSS US DEMARCHE ON PROPOSED OILSEED PROJECT AND DRAFT BILL. SESSION WAS DEVOTED LARGELY TO GOA RESPONSE TO POINTS MADE IN TWO US NOTES. US REPS EXPRESSED WASHINGTON INTEREST IN CONTINUING CONSULTATIONS WITH WASHINGTON EXPERTS, AND AUSTRIANS INDICATED WILLINGNESS TO MEET AS SOON AS POSSIBLE FOR US SIDE. WE PROPOSE THAT WASHINGTON EXPERT(S) PLAN TO ARRIVE FOR DISCUSSIONS NEXT WEEK SINCE SCHEDULE FOR PARLIAMENTARY CONSIDERATION (IF ADHERED TO) IS TIGHT. WE PROPOSE TOO THAT US CONTINUE STRONG BUT QUIET PRESSURE  
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PAGE 02 VIENNA 05029 01 OF 03 021705Z

ON GOA, AND BE PREPARED--IF NECESSARY AND APPROPRIATE-- TO INDICATE DEFINITELY THAT IMPLEMENTATION OF AUSTRIAN CONSUMPTION TAX WOULD LEAVE US NO ALTERNATIVE BUT TO WITHDRAW US GATT CONCESSIONS TO AUSTRIA. END SUMMARY.

2. IN RESPONSE TO GOA INVITATION ECONCOUNS AND AGATTACHE MET WITH 15-MAN AUSTRIAN DELEGATION FOR 2 HOURS ON JUNE 1,

TO DISCUSS OILSEED PROJECT. GOA DELEGATION WAS HEADED BY TRADE MINISTRY DIRECTOR FOR GATT AFFAIRS WILLENPART AND INCLUDED REPS FROM MINISTRIES OF FOREIGN AFFAIRS, FINANCE AND AGRICULTURE (INCLUDING DEPUTY MINISTER GACHEGG) AS WELL AS FROM CHAMBERS OF INDUSTRY, AGRICULTURE AND LABOR. GOA INVITATION OBVIOUSLY WAS IN RESPONSE TO PROVISION ACCOMPANYING CABINET APPROVAL OF DRAFT BILL REPORTED REF A THAT "CONSULTATIONS ON THESE QUESTIONS WILL BE HELD IMMEDIATELY WITH THE US." OUR SOURCE FOR TEXT, HOWEVER, HAS CAUTIONED THAT EXISTENCE OF THIS PROVISION IS NOT REPEAT NOT TO BE KNOWN OUTSIDE GOA.

2. WILLENPART OPENED SESSION BY OBSERVING THAT DRAFT BILL, WHICH WAS APPROVED BY CABINET MAY 22, HAS NOW BEEN TRANSMITTED TO PARLIAMENT WHERE IT IS AWAITING COMMITTEE CONSIDERATION. GOA HOPES FOR APPROVAL IN TIME TO PUT PROGRAM INTO EFFECT JULY 1. IN LENGTHY PRESENTATION WILLENPART THEN EXPLAINED RATIONALE FOR MEASURE AND GAVE DETAILED ACCOUNT (RELATED TO SPECIFIC POINTS IN TWO US NOTES) OF WHY GOA CONSIDERS BILL FULLY CONSISTENT WITH GATT OBLIGATIONS. HIS PRINCIPAL POINTS WERE:

(A) THE OILSEED PROGRAM IS JUSTIFIED BY THE CONSTITUTIONAL PROVISIONS ESTABLISHING AUSTRIA'S NEUTRAL STATUS, WHICH CALL FOR A HIGH DEGREE OF SELF-SUFFICIENCY IN BASIC FOOD PRODUCTION. SINCE AUSTRIA IMPORTS 96 PERCENT OF ITS OILSEED PRODUCTS NEEDS, IT IS NOT MEETING THIS

CONFIDENTIAL

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PAGE 03 VIENNA 05029 01 OF 03 021705Z

REQUIREMENT; AND SINCE THE US HAS RECOGNIZED AUSTRIAN NEUTRALITY, IT SHOULD SUPPORT ANY AUSTRIAN MEASURE STRENGTHENING THAT NEUTRALITY.

(B) CURRENT MEASURE DOES NOT RESEMBLE 1968 CASE WHICH INVOLVED IMPORT FEE. "CONSUMPTION TAX" IN NEW PROPOSAL WOULD APPLY TO BOTH DOMESTIC AND IMPORTED PRODUCTS AND IS, THEREFORE, COVERED BY GATT ARTICLE II. THE 1969 AGREEMENT (L/3046/ADD.4) QUALIFIED GOA PLEDGE NOT TO "REPLACE THE OILCAKE IMPORT FEE WITH A DOMESTIC CONSUMPTION TAX OR OTHER MEASURE OF EQUIVALENT EFFECT" BY SPECIFYING THAT "THIS SHALL NOT BE CONSTRUED AS MODIFYING OBLIGATIONS AND RIGHTS...UNDER GATT." THIS QUALIFICATION WAS ELABORATED IN A LETTER FROM EMBASSY VIENNA TO TRADE MINISTRY OF JANUARY 10, 1969, WHICH WILLENPART PROVIDED.

(C) THE PROPOSED BILL LEAVES THE GATT TARIFF REPEAT TARIFF BINDINGS UNCHANGED. THE GOA ALSO HAS NO INTENTION OF INTRODUCING ANY RESTRICTIVE MEASURES (SUCH AS VARIABLE LEVIES) AT THE BORDER. THE BILL, THEREFORE, CANNOT BE COMPARED TO EARLIER EC PROPOSALS.

(D) THE SUBSIDY WHICH WOULD BE PROVIDED DOMESTIC GROWERS OF RAPE- AND SUNFLOWERSEED CONFORMS TO THE PROVISIONS OF GATT ARTICLES III AND XVI. MOREOVER, THE TAX PROCEEDS

ARE NOT TIED TO OILSEED PRODUCTION BUT CAN BE USED FOR ANY PURPOSE.

(E) THE \$50 MILLION US TRADE FIGURE FOR SOYBEANS AND PRODUCTS CITED IN THE US NOTE IS MISLEADING SINCE GATT RECOGNIZES ONLY DIRECT TRADE. INDIRECT TRADE (E.S., AUSTRIAN IMPORTS OF EC MEAL, EVEN IF CRUSHED FROM US BEANS) CANNOT BE INCLUDED IN ASSESSMENT OF TRADE EFFECTS OF AUSTRIAN OILSEED PROGRAM. ON THIS BASIS, AUSTRIAN IMPORTS FROM THE US IN 1977 WERE ONLY \$5.5 MILLION.

(F) THE GOA ALSO QUESTIONS THE US CLAIM TO BE A RELIABLE SUPPLIER, CITING THE 1973 US EMBARGO WHEN AUSTRIA HAD DIFFICULTY BUYING MEALS FROM THE US.

CONFIDENTIAL

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PAGE 01 VIENNA 05029 02 OF 03 021715Z

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DODE-00 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00  
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ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 /110 W  
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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 6630

INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 02 OF 03 VIENNA 05029

4. WILLENPART ACKNOWLEDGED THAT US TRADE MAY BE AFFECTED BY THE AUSTRIAN OILSEED PROGRAM. NEVERTHELESS, HE MAINTAINED THAT US NOTE EXAGGERATES CONCERN OVER THE PROGRAM SINCE AUSTRIA SHOULD REMAIN A GOOD MARKET FOR US AND WOULD STEP UP BUYING SOYBEANS DIRECT INSTEAD OF MEALS FROM THE EC. WILLENPART STATED THAT AUSTRIA IS INTERESTED IN DEVELOPING ASSURED SUPPLIES FOR SOYBEANS AND MEALS FROM THE US. TOWARD THAT END, THE AUSTRIAN IMPORTERS WITH THE HELP OF THE AMERICAN SOYBEAN ASSOCIATION ARE NOW DISCUSSING WITH US SUPPLIERS POSSIBILITY OF DEVELOPING LONG-RANGE PROGRAM FOR CONTINUED FLOW OF US BEANS AND MEALS TO AUSTRIA. FINALLY, WILLENPART PRESENTED A TABLE SHOWING STEADILY DETERIORATING AUSTRIAN TRADE BALANCE WITH THE US SINCE 1972, AND URGED THAT USG KEEP THIS IN MIND.

5. THROUGHOUT SESSION US REPS TOOK POSITION THAT THEY WERE THERE (AT AUSTRIAN INVITATION) PRIMARILY TO RECEIVE RESPONSE TO TWO US NOTES. US REPS DID NOT ATTEMPT TO DEBATE WILLENPART'S LEGAL POINTS BUT DID RESPOND WITH SERIES OF BROADER QUESTIONS DESIGNED TO DRAW AUSTRIANS OUT ON BASIC PURPOSE AND EFFECT OF PROPOSED PROGRAM.  
CONFIDENTIAL

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PAGE 02 VIENNA 05029 02 OF 03 021715Z

FOLLOWING POINTS WERE STRESSED DURING COURSE OF DISCUSSION:

(A) ANY PROGRAM DESIGNED TO INCREASE DOMESTIC SELF-SUFFICIENCY IN OILSEEDS AND PRODUCTS HAS TO AFFECT IMPORTS ADVERSELY IF IT IS TO ACHIEVE ITS PURPOSE; (B) REASON FOR DUTY FREE BINDINGS AND SUBSEQUENT GATT COMMITMENTS IS TO ENSURE UNIMPEDED MARKET ACCESS FOR IMPORTS; REGARDLESS OF ITS FORM, EFFECT OF OILSEED PROGRAM IS TO IMPEDE THAT ACCESS; AND (C) REPLACEMENT OF IMPORTED SOYBEANS WITH (PROTECTED) DOMESTIC RAPESEED WOULD INCREASE COSTS TO CONSUMERS, PROCESSORS AND GOA. US REPS ALSO NOTED DANGER THAT PRECEDENT ESTABLISHED BY PROGRAM COULD CREATE FOR AUSTRIAN AGRICULTURAL EXPORTS WHICH ARE ALREADY HARD HIT BY EC RESTRICTIONS, AND POINTED TO BASIC CONTRADICTION BETWEEN ESSENTIALLY "PROTECTIONIST" PROGRAM AND STRONG DESIRES (INCREASINGLY ECHOED PUBLICLY BY AUSTRIAN LEADERS) FOR RESISTING CURRENT PROTECTIONIST TRENDS.

6. IN WINDING UP SESSION US REPS STRESSED WASHINGTON'S INTEREST IN FURTHER TALKS AT VERY EARLY DATE. GOA DEL EXPRESSED COMPLETE WILLINGNESS TO MEET AS SOON AS US SIDE DESIRED, AND ASKED ONLY THAT: (A) WE GIVE THEM SUFFICIENT NOTICE TO ASSEMBLE THEIR GROUP, AND (B) CONSULTATIONS BE IN VIENNA.

7. EMBASSY COMMENT: (A) DRAFT BILL NOW BEFORE PARLIAMENT IS SUBSTANTIALLY SAME AS REPORTED REF B, EXCEPT THAT TAX RATES (PER 100 KG.) HAVE BEEN INCREASED FOR OILCAKE AND MEAL FROM AS 50 TO 60 AND FOR OILS FROM AS 125 TO 150. (\$1.00 EQUALS CA. AS 15.) FROM OUTSIDE SOURCES WE HAVE LEARNED THAT DRAFT BILL WILL MOST LIKELY BE TAKEN UP BETWEEN JUNE 5 AND 9 BY THE FINANCE COMMITTEE WITH HOPE OF HAVING IT READY BY TIME PARLIAMENT MEETS IN FULL  
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CONFIDENTIAL

PAGE 03 VIENNA 05029 02 OF 03 021715Z

SESSION ON JUNE 14.

(B) AUSTRIAN PRESENTATION, WHICH WAS WELL PREPARED AND OBVIOUSLY WELL STAFFED, RESTS ESSENTIALLY ON LEGALITY

OF THEIR PROPOSAL IN TERMS OF GATT. HOWEVER, US REPS  
CAME AWAY FROM MEETING WITH FEELING THAT AUSTRIAN ARGU-  
MENTATION DOES NOT RING ENTIRELY TRUE. CERTAINLY, SOME  
OF LEGAL ARGUMENTS ADVANCED BY WILLENPART (WHO IS A  
LAWYER AND GATT EXPERT) CAN BE CHALLENGED. FOR EXAMPLE,  
CONTENTION THAT CONSUMPTION TAX IS LEGAL BECAUSE IT  
APPLIES EQUALLY TO DOMESTIC AND FOREIGN PRODUCTS MAKES  
NO SENSE WHERE THERE IS NO, OR VIRTUALLY NO DOMESTIC  
PRODUCTION. WHEN THIS POINT WAS RAISED BY US REPS,  
AUSTRIANS HAD NO SATISFACTORY REPLY. WE ALSO QUESTION  
VALIDITY OF WILLENPART'S CLAIM THAT GATT RECOGNIZES ONLY  
DIRECT TRADE INTERESTS.

(C) EMBASSY DOES NOT EXCLUDE POSSIBILITY THAT GOA--OR AT  
LEAST SOME ELEMENTS THEREIN--MAY NO LONGER BE AS ENAMORED  
OF OILSEED PROPOSAL AS EARLIER, BUT NEEDS FACE-SAVING  
DEVICE TO AVOID ADVERSE POLITICAL CONSEQUENCES OF WITH-  
DRAWING SUPPORT. THERE IS NO DOUBT THAT AUSTRIA HAS  
SERIOUS TRADE-GAP PROBLEM AND THAT AGRICULTURAL SECTOR  
NEEDS RESTRUCTURING. HOWEVER, GOA ALSO HAS A BUDGET-GAP  
PROBLEM, AND IT IS POSSIBLE THAT THE POTENTIAL FISCAL  
COSTS OF THE OILSEED PROJECT NOW APPEAR HIGHER THAN THE  
ALTERNATIVES. IF THIS IS THE CASE, US PROTEST (WHICH HAS  
ALREADY APPEARED IN LOCAL PRESS) COULD PROVIDE AN "OUT"  
VIZ., GOVERNING SOCIALIST PARTY COULD TELL FARMERS THAT IT  
COULD NOT FOLLOW THROUGH WITH PLAN BECAUSE OPPOSITION  
PEOPLES PARTY--TO WHICH MOST FARMERS BELONG--MADE EARLIER  
INTERNATIONAL COMMITMENTS THAT PRECLUDE MOVING AHEAD.  
(D) IN ANY EVENT, WE CONSIDER IT IMPORTANT AT PRESENT  
JUNCTURE TO: (1) EXERT CONTINUING QUIET BUT STRONG  
PRESSURE ON GOA, AND (2) CARRY CONSULTATIONS FORWARD,  
WITH THE NEXT STEP A POINT-BY-POINT REPLY TO WILLENPART'S

CONFIDENTIAL

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PAGE 01 VIENNA 05029 03 OF 03 021715Z  
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ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 /110 W  
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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC IMMEDIATE 6631

INFO USMISSION GENEVA

C O N F I D E N T I A L SECTION 03 OF 03 VIENNA 05029

ARGUMENTS. FOR LATTER WE WOULD NEED GATT EXPERT OR  
EXPERTS WELL VERSED IN AGRICULTURAL NEGOTIATIONS. BECAUSE  
OF SHORT TIME FUSE WE BELIEVE NEXT SESSION SHOULD TAKE  
PLACE WEEK OF JUNE 5. TO ENSURE STRONG US POSITION WE  
THINK US REPS SHOULD BE AUTHORIZED TO INFORM GOA--IF  
NECESSARY AND AT APPROPRIATE TIME--THAT IMPLEMENTATION OF  
OILSEED PROJECT WOULD LEAVE USG NO ALTERNATIVE BUT TO  
WITHDRAW COMMENSURATE GATT CONCESSIONS TO AUSTRIA.  
AVAILABILITY OF POSSIBLE WITHDRAWAL LIST COULD LEND  
WEIGHT TO STATEMENT. BORG

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## Message Attributes

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**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Comment:** 25 YEAR REVIEW  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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